

A D S I S T E N S C O R P O R A T I O N A N N U A L R E P O R T

SL 5210

Corporate Profile

For over a decade, 3D Systems has given manufacturers the ability to bring their product ideas to reality through the use of our solid imaging systems. As the worldwide market and technology leader in solid imaging solutions, our products enable users to move from concept models to finished parts faster, at lower cost, and at higher quality than traditional methods.

The company's systems utilize stereolithography (SLA) and 3D printing technologies, which fabricate solid objects from digital input. These processes offer significant competitive advantages by substantially reducing the time and cost required to design, develop, and manufacture products.

Companies all over the globe have recognized the benefits of producing three-dimensional solid objects for a myriad of applications—from design verification, to fit and functional testing, to molds for production runs, and even to create near-production parts. The applications of concept modeling, rapid prototyping and tooling are used by a variety of industries, including automotive, aerospace, consumer products, electronics, entertainment and health care.

The company also licenses its proprietary 3D Neutral process, a commercially proven moldmaking solution that produces prototype, bridge, and production tooling inserts. Headquartered in Valencia, California, the Company maintains offices throughout North America, Europe and Asia, and employs more than 450 people. To date, 3D Systems has installed more than 1,200 systems worldwide.

Profit Is Rose

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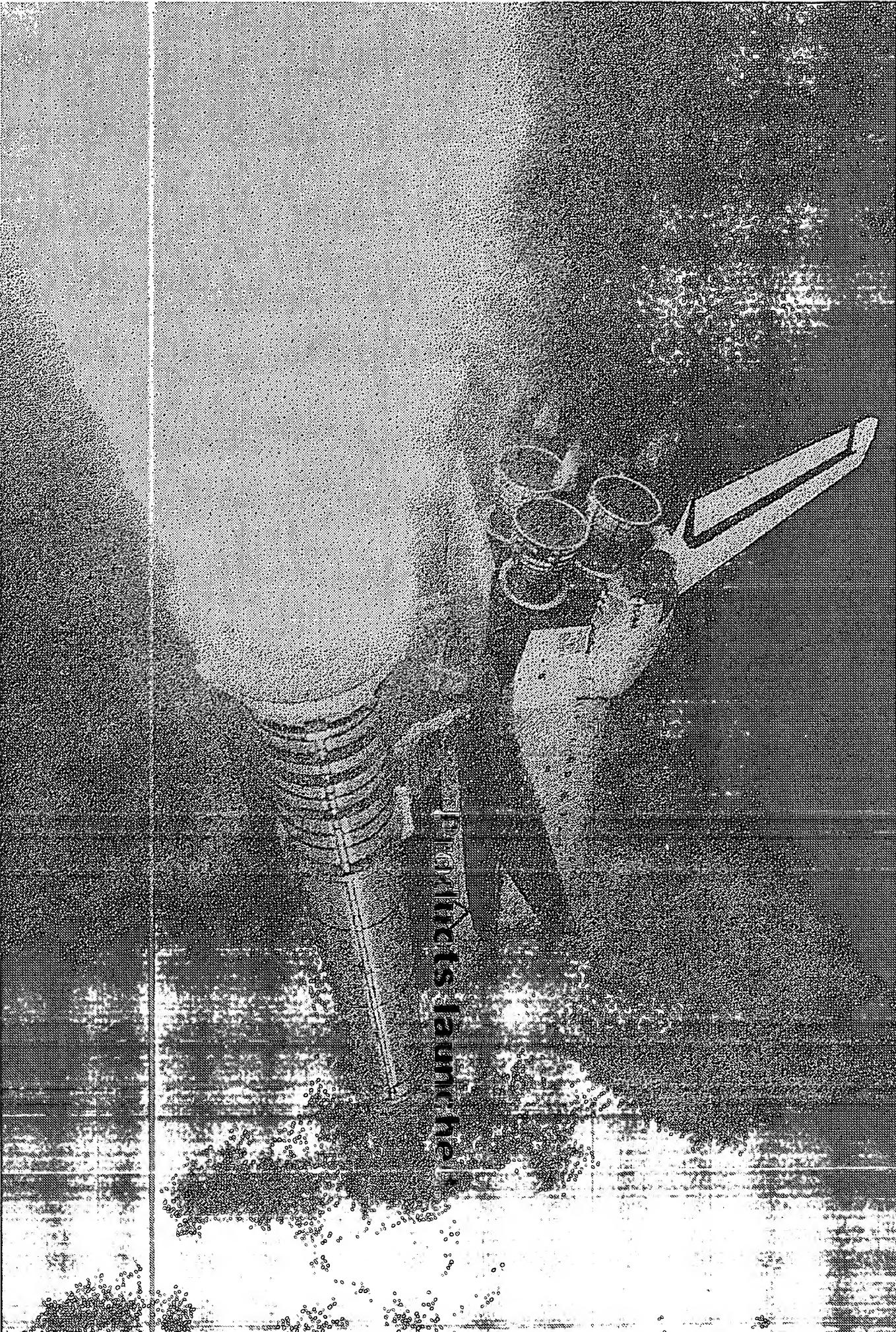
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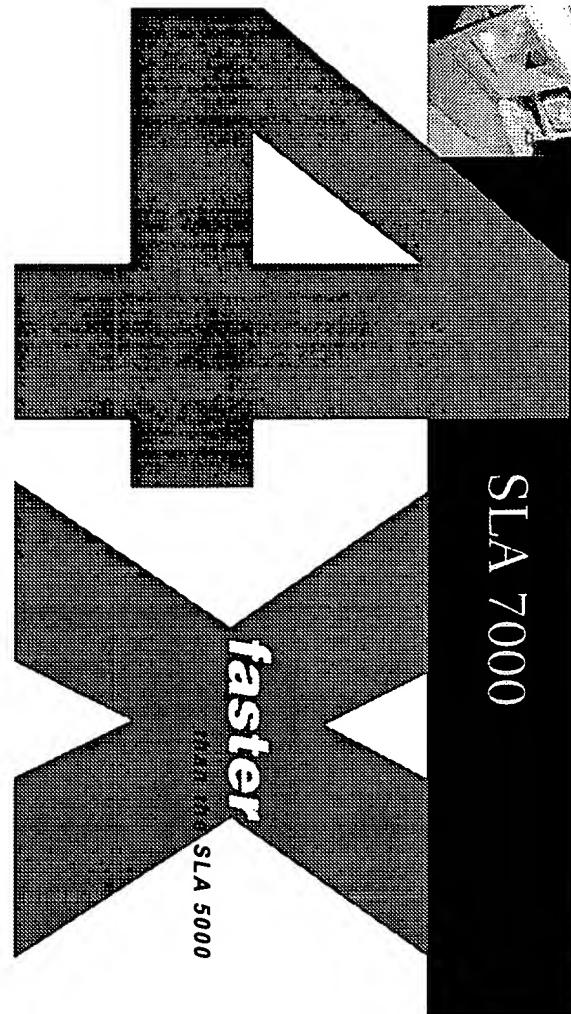
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ERGONOMIC
LAMINATE

SLA 7000

faster
than
SLA 5000



With the introduction of the SLA 7000, 3D Systems has taken a major step forward in making its technology a tool for production applications.

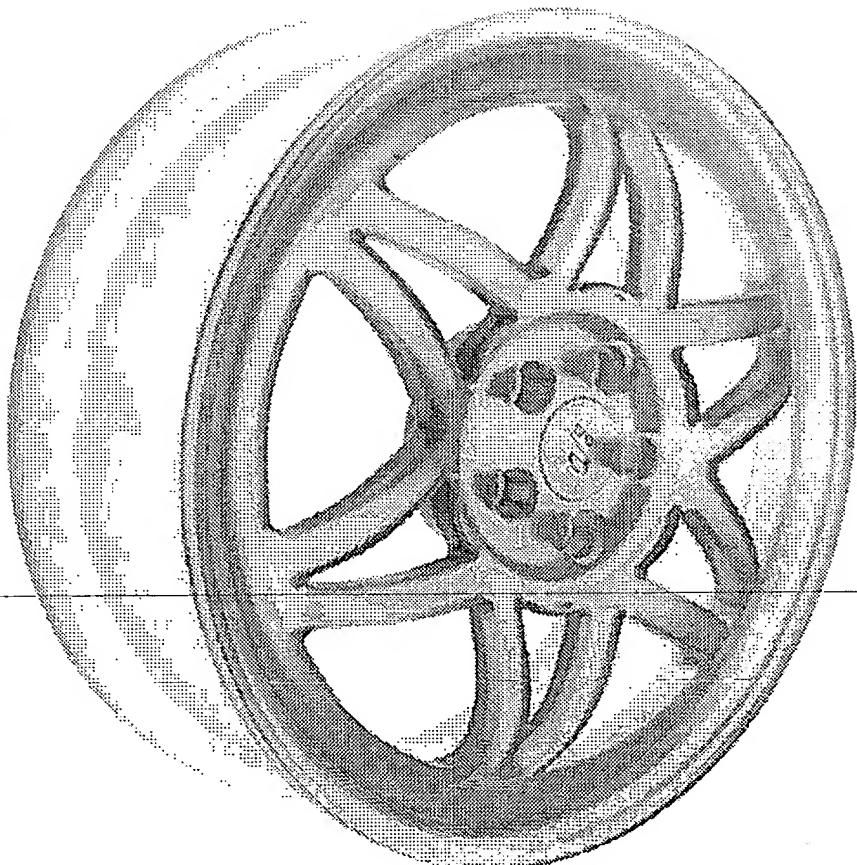
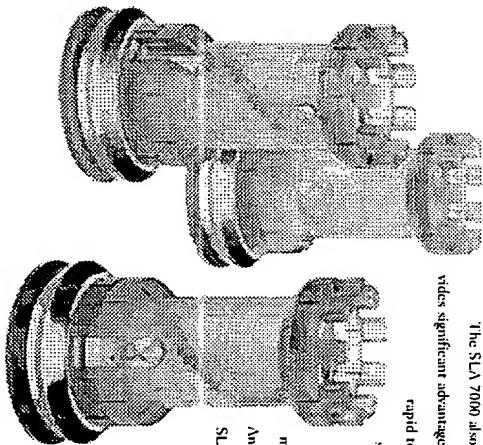
Using this advanced new system, a company can complete the engineering of a new product in the morning and have finished parts in hand the same day. The efficiency of the SLA 7000 comes as a result of several new enhancements, which include a dual-spot, high-power laser; new Windows NT-based software; and a new multi-purpose resin. The result: the SLA 7000 is four times faster than, and offers twice the price performance of, the SLA 5000.

The SLA 7000 also produces parts with a superior surface finish, which provides significant advantages. It opens up additional customer applications, such as rapid tooling, which requires extreme part precision and high

surface resolution. In addition, the fine-layer build style reduces the need for hand finishing of parts.

Together these capabilities will result in a fundamental shift in the way solid imaging is used by industry. And it becomes a first step in the company's vision to take the SLA line to the production floor.

1000
Layers
for superior part finish



With the introduction of Thermojet, 3D Systems is enabling market growth by offering a product that is at least 20% less expensive and three times faster than its predecessor. This exciting new offering is the cornerstone of the company's strategy to bring greater ease and productivity to solid imaging, which in turn, could revolutionize the way people communicate their ideas.

Thermojet produces physical three-dimensional models—quickly and affordably—in an office setting.

A design engineer who has just finished creating a part using computer-aided design (CAD) software can send the file to Thermojet over an ordinary office network.

Within hours, Thermojet will produce a plastic-like sample that can be held, evaluated and shared with others. The part becomes a real-world example that is easy to comprehend as compared to a complex CAD image on a computer screen.

Thermojet creates solid objects with a variation on a technology widely used in

injection printing, but instead of putting dots of ink on paper.

Thermojet places tiny drops of molten plastic, which almost immediately solidify. Layer by layer, a three-dimensional object is formed.

The uses for Thermojet are far-reaching and span many industries, from the design of new cellular phones and pagers, to a new line of golf clubs. Artists can use Thermojet technology to print three-dimensional samples of sculptures, just as easily as orthodontists can create models of a patient's smile.

Because Thermojet files can be sent over any network, including the Internet, the machine can be used as a "3D fax" to send models to other cities or continents in moments, for output within hours. This is especially valuable when complex designs must be communicated in a multi-national, multi-cultural environment.

As a result of these benefits and more, Thermojet opens an exciting new path to the future for 3D Systems.

network-ready



ThermoJet

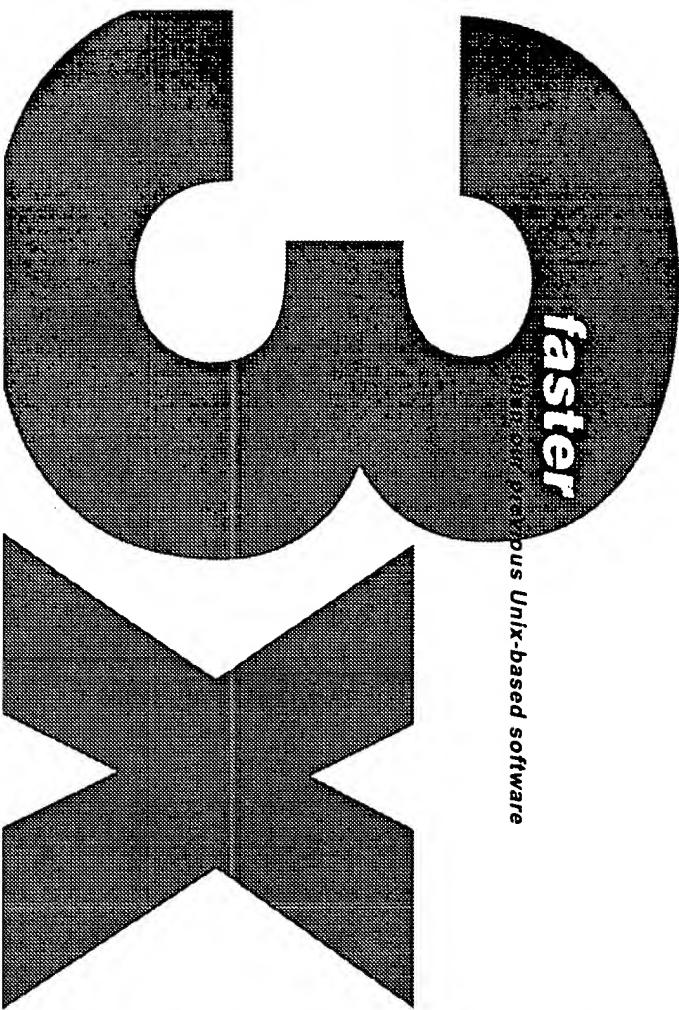
3D Lightyear Software



3D Systems responded fully to our customers' need for easy-to-use, affordable Windows-based software with the introduction of 3D Lightyear part preparation software. 3D Lightyear, written for the Windows NT platform, delivers all the functionality of its LNX predecessor plus increased productivity and cost efficiencies. With 3D Lightyear, our customers experience faster operation in preparing build files and readying parts for output. In addition, 3D Lightyear produces build files that are on average 50% smaller, reducing networking and data storage requirements.

All of these benefits are provided in a user-friendly interface and a program that is easy to install, navigate, and integrate into existing networks. Every function is available on a single screen from which the user can interact with the model itself. The software is highly intuitive and includes such Windows conveniences as wizards, on-line interactive help and how-to instructions.

3D Lightyear is easy to own. The software is free to SLA customers with maintenance contracts, and is bundled with new systems at no extra charge. 3D Lightyear licensing allows unlimited users, thus eliminating expensive per-seat fees. The software, which is Year 2000 compliant, is compatible with all existing SLA devices, from systems, software and materials, that will give them a competitive advantage in product development, as well as increased productivity and value.



faster

than previous Unix-based software

**easy
to use**

Materials

Quite simply, materials expand the applications and uses of 3D Systems products. Working with our customers and Ciba Specialty Chemicals, we approached materials development aggressively in the last 15 months, announcing eight new materials for use with our solid imaging equipment.

With the introduction of our SLA 7000, a new high-speed resin was developed to further enhance the productivity of the system. The result: our SL 7510 resin, featuring significantly faster photopolymerization (the time for the resin to harden after exposure to the laser beam).

The resins available from 3D Systems allow our SLA customers to create parts with the strength and toughness to withstand real-world uses. With SL 5530HT, customers can build and test models in harsh environments, such as exposure to temperatures of up to 40° F (23.2° C), or contact with water or solvents. Another offering—SL 5520—provides the ability to create parts for snap-fit applications, with a robustness approaching commercial engineering plastics.

For the new Thermojet Solid Object Printer, our TJ-88 is a thermoplastic polymer that produces a more durable part with good surface finish and easy support removal. TJ-88 is available in neutral grey and black—providing our customers a variety of options in which to visualize and communicate their ideas. As customer needs continue to broaden, 3D Systems is committed to developing materials that enable more applications, and expand the uses of our solid imaging systems in the marketplace.

SLA Materials*

SL 7510

Outstanding productivity, fine layer capability, excellent part quality, accurate, optical clarity and light color.

SL 5180

Accurate with optical clarity.

SL 5410

High productivity, optical clarity, highly accurate, humidity and elevated temperature resistant with excellent part quality.

SL 5190

Accurate with optical clarity.

SL 5195

Accurate, light color and optical clarity.

SL 5510

Highly accurate, high productivity, humidity resistant, optical clarity, light color, elevated temperature resistance and excellent part quality.

SL 5520

Durable, but flexible, impact resistant, excellent part quality, accurate, optical clarity, light color and humidity resistant.

SL 5170

More durable than previous thermopolymers, can be used for investment casting, available in three colors.

TJ-88

Highly accurate, excellent optical clarity, light color and excellent part quality.

SL 5210

High temperature resistance, water and humidity resistant, very high productivity, superior part quality and easy clean-up.

SL 5220

Very high productivity, humidity resistant, accurate, optical clarity, light color, excellent part quality and elevated temperature resistance.

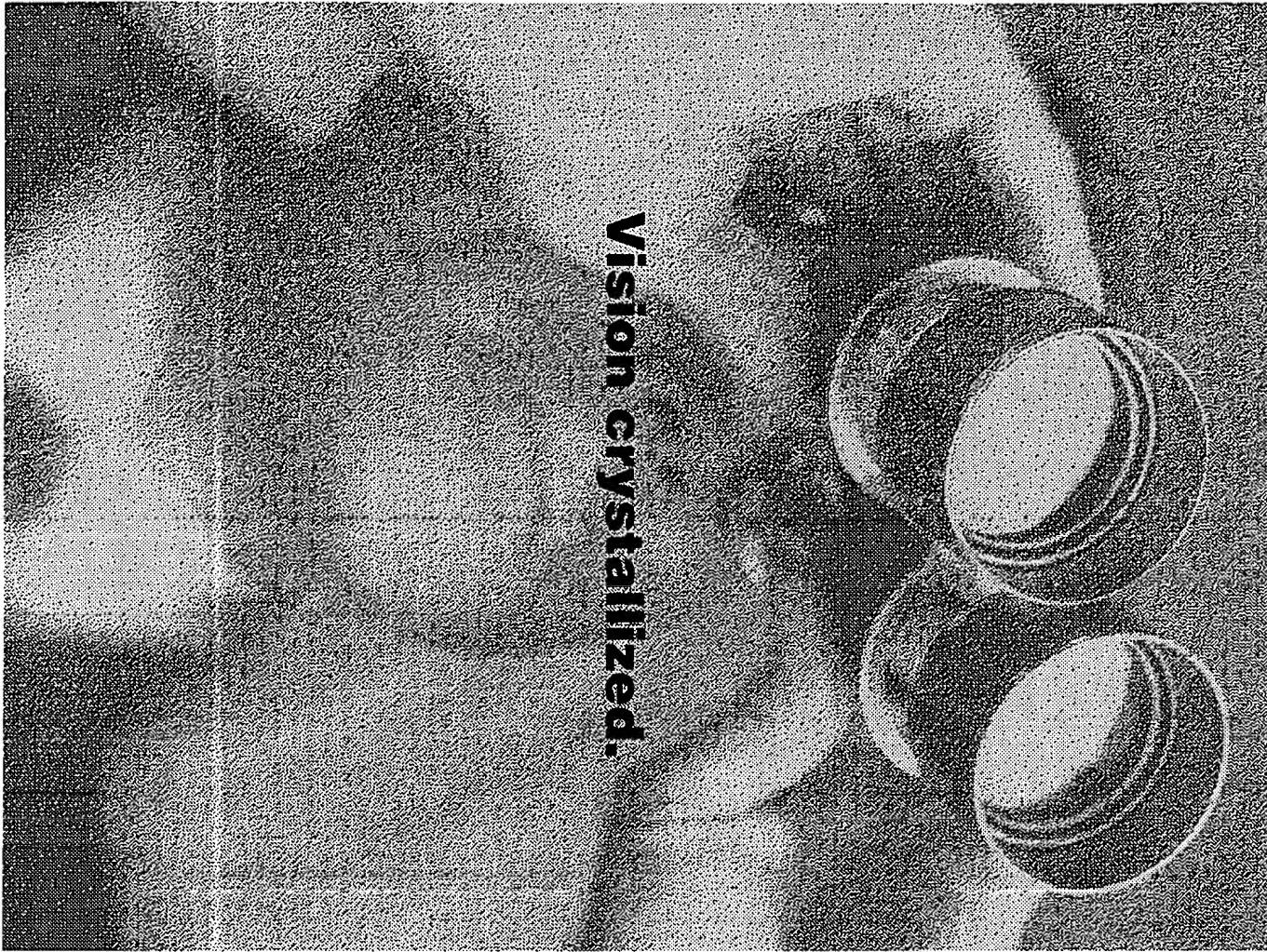
Thermojet Materials

TJ-75

More durable than previous thermopolymers, can be used for investment casting, available in three colors.

ACRYL 2100 Materials

* SLA materials are products of Ciba Specialty Chemicals, Inc., co-developed with and exclusively distributed by 3D Systems Corporation.



To Our Shareholders

Nineteen ninety-eight was a landmark year for 3D Systems, during which the company formulated a bold vision for the next decade. This strategic course will unfold over the next several years and profoundly influence 3D Systems' direction into the millennium.

Our agenda entails exponentially increasing our user base by bringing unprecedented levels of productivity to solid imaging, while continuing to expand the range of applications. Driven by the strategic goals of making our systems faster, cheaper, and easier to use, we consider these initiatives to be critical measures aimed at driving sales growth, as well as generating a growing stream of recurring revenue and profit.

Accelerating The Rate Of Change. Building from our proven technologies and market leadership, 3D Systems' recent slate of new product introductions—spanning hardware, software and materials—is showcased across the preceding pages and exemplifies the company's ever-increasing rate of innovation.

In a period of 18 months, we have accelerated the pace of new technology by introducing new industrial and office systems that are, respectively, four and three times faster than earlier products from 3D Systems. Speed, though, is just first among a litany of improvements, which include precision, price performance and part cost—all of which are critical components in driving the company's vision for the next decade.

Offering Marketing For The Professional Market. Through our new office product, the Thermojet Solid Object Printer, we expect to attract an entirely new category of users to model making, drawn by the attractions of increased performance and sharply lower cost.

Thermojet is targeted toward the professional market—design engineers in office settings—a global opportunity that the company estimates to be substantial. With the considerable potential afforded by Thermojet, 3D Systems anticipates its new product to be a genuine catalyst for sales growth. Product sales, however, are only the leading edge of our formula.

A new material designed specifically for Thermojet, T-jet, is being manufactured by 3D Systems at its Grand Junction, Colorado factory, and is the cornerstone of a business plan to generate a stream of profitable recurring revenues from consumables.

S.L.A. Systems for Industrial Markets Even as 3D Systems broadens its base, stereolithography (SLA) machines targeting the industrial market remain the foundation of the company. The technology is unparalleled, and the customer benefits are far-reaching. With an impressive roster of installed users worldwide, SLA sales represent a strong business base for the company, generating solid per-machine profits.

3D Systems machines today create near-production parts used for a range of verification and testing purposes. Can solid imaging evolve into a true production capability, facilitating the manufacturing trend toward mass customization? We believe so. Given our pace of innovation, evidenced by the new SLA 7000 and enhancements to software and materials, we envision a time in the next decade when our customers will actually produce production parts without tooling, using nothing more than a CAD "digital foundry" and 3D Systems' solid imaging technology.

Continuing Results. Among our near-term priorities last year was a return to profitability, which I am pleased to report was achieved in 1998. For the year ended December 31, 1998, the company posted net income of \$2.1 million, equal to \$0.18 per fully diluted share, which compares with a net loss in 1997 of \$4.6 million, or \$0.40 per fully diluted share. Prior-year results include \$5.9 million of non-recurring charges related to asset acquisitions, inventory adjustments and restructuring costs. Revenues rose nine percent to a record \$96.1 million last year from \$80.3 million in 1997.

3D Systems continues to maintain a strong financial position. We possess ample cash and little long-term debt, providing the company with considerable flexibility to leverage its balance sheet, as needed, in sup-

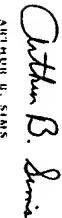
port of growth initiatives. Inventory levels were reduced last year, turning over approximately five times, indicative of our asset-management efficiencies. And at the close of 1998, order backlog stood at \$6.8 million, the company's highest level in two years.

Oration. The poet Samuel Johnson once wrote, "The future is purchased by the present." These words are particularly apt in describing the path we have carved for 3D Systems: a clear vision of where the company is heading, based on aggressive plans we are formulating today. Building a successful global enterprise is accompanied by significant challenges, as well, and we expect to encounter our share as we execute 3D Systems' blueprint for the 21st century.

We could not end our letter without acknowledging the contributions of the person who started it all in 1986, Charles W. Hull, the company's founder and past president. Chuck retired from his full-time duties at 3D Systems on February 26, 1999. We are pleased that we will continue to have the benefit of his guidance as a member of the Board of Directors and as a consultant to the company.

Let me also extend deep gratitude to our employees for their unflagging dedication, to our Board of Directors for its counsel and wisdom, and to our loyal customers for their continued commitment. My sincere thanks are reserved for the shareholders, for whom we work tirelessly to build the value of our company. Through the support of all involved, and the many opportunities that await us, 3D Systems will succeed.

Sincerely,



ARTHUR B. SIMS
Chairman and Chief Executive Officer

March 31, 1999

CORPORATE DIRECTORY

Senior Management

ARTHUR B. SIMS
Chief Executive Officer and Chairman of the Board

RICHARD D. BALKANSON, PhD.
President and Chief Operating Officer

FRANK J. SPINA
Vice President, Chief Financial Officer

A. SUZETTE ALVAREZ
Vice President, General Counsel and Secretary

MARVIN E. McGUIGGAN
Vice President, General Counsel and Secretary

RICHARD D. BALKANSON, PhD.
President and Chief Operating Officer

JOHN B. STANS
Chairman of the Board and Chief Executive Officer

DONALD S. BATES
Independent Management Consultant

MINAAN V. GOUDE
Vice President and Assistant General Counsel

Regulatory Affairs and Legal, Additives Division
Former Senior Vice President
General Electric Company

CHARLES W. HULL
Founder

3D Systems Corporation

JIM D. KEVENI
Co-Chief Executive Officer and President

Envoy Corporation

G. WALTER LOKVENSTAD, II
Vice Chairman of the Board

Envoy Corporation

LAWRENCE & COMPANY
Lawrence & Company

LAWRENCE L. WHITE-THOMSON
Chairman

U.S. Robot Inc.

Corporate Headquarters

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818.502.1404

Investor Relations
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Woodland Hills, California 91367

Investor Relations
Trump Stecher Hatch Reddick & Tobey, LLP
2029 Century Park East, 24th Floor
Los Angeles, California 90067

Investor Relations
Shares of the Company's common stock are listed
on the Nasdaq National Market System under the
symbol TDSC.

Investor Relations Contact
Carol E. Gerotto
Investor Relations
3D Systems Corporation
805.295.5600, ext. 2240

Investor Relations Materials
Investor relations materials may also be obtained
from the Company's Web site, located at
<http://www.3dsystems.com>, or by calling our
information on demand service at 800.757.1749.

Annual Meeting
The annual meeting of shareholders will take place on
Thursday, May 20, 1999 at 10:00 a.m. Mountain Time at
the Grand Vista Hotel, 2790 Crossroads Boulevard,
Grand Junction, Colorado.

Design: Douglas Joseph Partnership, Los Angeles